HomeStreet, Inc.
Form PREC14A
April 13, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934
(Amendment No.)
Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:
Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Pursuant to §240.14a-12

HOMESTREET, INC.
(Name of Registrant as Specified In Its Charter)
Blue Lion Opportunity Master Fund, L.P.
Roaring Blue Lion, LLC
Roaring Blue Lion Capital Management, L.P.
BLOF II, LP
Blue Lion Capital Master Fund, L.P.
Charles W. Griege, Jr.
Ronald K. Tanemura
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

-with copies to-

Phillip M. Goldberg Foley & Lardner LLP 321 North Clark Street Suite 2800 Chicago, IL 60654-5313 (312) 832-4549	Peter D. Fetzer Foley & Larder LLP 777 East Wisconsin Avenue Suite 3800 Milwaukee, WI 53202-5306 (414) 297-5596

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(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

SUBJECT TO COMPLETION
PRELIMINARY PROXY MATERIALS DATED APRIL 13, 2018

HOMESTREET, INC.
ANNUAL MEETING OF SHAREHOLDERS
[•], 2018

PROXY STATEMENT OF
BLUE LION OPPORTUNITY MASTER FUND, L.P.

PLEASE SIGN, DATE AND RETURN THE BLUE PROXY CARD TODAY IN THE POSTAGE-PAID ENVELOPE PROVIDED

Blue Lion Opportunity Master Fund, L.P. (referred to herein together with its affiliates as "BLC", "we", "our", or "us") is furnishing this proxy statement (this "Proxy Statement") and accompanying BLUE proxy card to the shareholders of HomeStreet, Inc. ("HomeStreet" or the "Company") to solicit proxies in connection with the Company's 2018 Annual Meeting of Shareholders, and any adjournments or postponements thereof and any meeting which may be called in lieu thereof (the "Annual Meeting"), scheduled to be held at [•], at [•] on [•], 2018. The principal executive office of HomeStreet is located at 601 Union Street, Suite 2000, Seattle, Washington 98101.

The Company has set [•], 2018 as the record date for determining shareholders entitled to notice of and to vote at the Annual Meeting (the "Record Date"). Holders of Common Stock at the close of business on the Record Date are entitled to vote at the Annual Meeting.

This Proxy Statement and the accompanying BLUE proxy card are first being sent or given to the shareholders of the Company on or about [•], 2018.

WHY YOU WERE SENT THIS PROXY STATEMENT

Blue Lion Opportunity Master Fund, L.P. is seeking your support at the Annual Meeting of HomeStreet for the following:

1. To vote "AGAINST" the election of Scott M. Boggs and Douglas I. Smith as directors of HomeStreet.
2. To vote "AGAINST" the approval on an advisory (non-binding) basis of the compensation of the Company's named executive officers.

Our BLUE proxy card also allows you to vote on the following proposals that are being presented by the Company for shareholder consideration at the Annual Meeting:

- Approval on an advisory (non-binding) basis of the frequency of future advisory (non-binding) shareholder votes on executive compensation.
- Ratification on an advisory (non-binding) basis of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the year ending December 31, 2018.

The following persons may be deemed to be participants in soliciting shareholders to vote "AGAINST" the election of Scott M. Boggs and Douglas I. Smith and to vote "AGAINST" the approval on an advisory (non-binding) basis the compensation of the Company's named executive officers (the "Participants"): Blue Lion Opportunity Master Fund, L.P., Roaring Blue Lion, LLC, Roaring Blue Lion Capital Management, L.P., BLOF II, LP, Blue Lion Capital Master Fund, L.P., Charles W. Griege, Jr., and Ronald K. Tanemura.

MEETING DETAILS AND PROXY MATERIALS

At the Annual Meeting, we understand that the shareholders of HomeStreet will be asked to consider and vote upon: (1) the election of Scott M. Boggs, Mark R. Patterson and Douglas I. Smith as Class I directors to serve until the 2021 annual meeting of shareholders, or until their respective successors are elected and qualified; (2) the approval on an advisory (non-binding) basis of the compensation of the Company's named executive officers; (3) the approval on an advisory (non-binding) basis of the frequency of future advisory (non-binding) shareholder votes on executive compensation; (4) the ratification on an advisory (non-binding) basis the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the year ending December 31, 2018; and (5) the transaction of such other business that may properly come before the Annual Meeting or any adjournment or postponement thereof.

We intend to vote all of the shares of common stock that we are entitled to vote, including proxies solicited by these proxy materials, as follows:

1. AGAINST the election of Scott M. Boggs and Douglas I. Smith to the board of directors and FOR the election of the other candidate nominated by HomeStreet (the "HomeStreet Nominees").
2. AGAINST the approval on an advisory (non-binding) basis of the compensation of the Company's named executive officers.
3. FOR ONE YEAR with regard to the approval on an advisory (non-binding) basis of the frequency of future advisory (non-binding) shareholder votes on executive compensation.
4. FOR the ratification on an advisory (non-binding) basis of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the year ending December 31, 2018.

Please note that the HomeStreet Nominees are not our nominees, have not consented to be named in these proxy materials, and are the nominees of HomeStreet. Because the HomeStreet Nominees are not our nominees and have not consented to be named in this Proxy Statement, they are not participants in this solicitation. We can provide no assurance that any of the HomeStreet Nominees will serve as directors if elected.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be Held on [•], 2018. This Proxy Statement and the accompanying BLUE proxy card are available at www.[•].

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IMPORTANT

Your vote is important, no matter how many or how few shares you own. BLC urges you to sign, date and return the enclosed BLUE proxy card today.

- If your shares are registered in your own name, please sign and date the enclosed BLUE proxy card and return it today in the enclosed postage-paid envelope.
- If your shares are held in a brokerage account or by a bank or other holder of record, you are considered the beneficial owner of the shares held in "street name," and these proxy materials, together with a BLUE voting form, are being forwarded to you by your broker, bank or other holder of record. As a beneficial owner, you must instruct your broker, trustee or other representative how to vote. Your broker cannot vote your shares on your behalf without your instructions. Depending upon your broker, bank or other holder of record, you may be able to vote either by telephone or by the Internet. You may also vote by signing, dating and returning the enclosed voting form.

We urge you not to return any proxy card you receive from the Company. If you have already sent a proxy card furnished by Company management or the Board or have otherwise submitted a proxy using one of the methods described in the HomeStreet Proxy Statement, you may revoke that proxy and vote on each of the proposals described in this Proxy Statement by signing, dating and returning the enclosed BLUE proxy card.

If you have questions, require assistance in voting your BLUE proxy card, or need additional copies of BLC's proxy materials, please contact Alliance Advisors, LLC, our proxy solicitors, at the following address, telephone number or email address listed below:

Alliance Advisors, LLC
200 Broadacres Drive, 3rd Floor
Bloomfield, NJ 07003

Shareholders Call Toll Free: 1- 833-786-5516
Email: BLC@allianceadvisorsllc.com

BACKGROUND OF THE SOLICITATION

The following is a chronology of events leading up to this proxy solicitation:

- On February 10, 2012, we participated in HomeStreet's IPO.
- On March 8, 2012, Mr. Griege had a call with management of HomeStreet.
- On September 10, 2012, our representatives conducted a conference call with Mark Mason, HomeStreet's Chief Executive Officer, to review the progress of the clean-up of HomeStreet's troubled assets and to learn more about HomeStreet's mortgage operations with regards to employee costs, capitalization of mortgage servicing and Gain-on-Sale (GOS) margins.
- On October 11, 2012, Mr. Griege participated in a HomeStreet conference call hosted by FIG Partners.
- On March 18, 2013, Mr. Griege had a conference call with Mr. Mason to get an update on the corporate strategy and continuing progress of the resolution of problem assets.
- On September 30, 2013, we conducted a conference call with Mr. Mason to discuss the Ginnie Mae TDRs disclosed in the Company's second quarter 2013 Form. 10-Q.
- On May 13, 2014, Mr. Griege had a call with Mr. Mason.
- On July 29, 2014, Mr. Griege asked several questions on HomeStreet's second quarter 2014 earnings call relating to the Company's stock trading at a discount to the Company's tangible book value, plans for asset growth, funding, and balance sheet positioning. Mr. Griege also discussed the benefits the Company would gain by obtaining broader analyst coverage.
- On September 30, 2014, Mr. Griege asked several questions on HomeStreet's conference call announcing the merger of HomeStreet Bank and Simplicity Bancorp. These questions related to cost of deposits, earnings segment mix, volatility of mortgage earnings, return on assets (ROA) and return on equity (ROE) goals.
- On October 1, 2014, Mr. Griege had a follow up call with Mr. Mason to better understand the opportunities with Simplicity Bancorp's existing customers and the expected timing for closing of the merger and realization of cost savings.
- On March 16, 2015, the Company filed a current report on Form 8-K indicating that the Company's Chief Accounting Officer had resigned.
- On March 17, 2015, HomeStreet announced that it would delay filing its annual report on Form 10-K with the Securities and Exchange Commission (SEC).

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- On March 23, 2015, Mr. Griege held a conference call with Mr. Mason to discuss the sudden departure of the Company's Chief Accounting Officer, and to obtain an update on the operations and progress of the Company's new commercial bank hires and the accretive value/timeline of the Simplicity Bancorp acquisition.
- On May 19, 2015, we held a conference call with Mr. Mason to discuss the Simplicity Bancorp integration and his expectations of when the Company would begin to see the earnings impact associated with the acquisition.
- On July 27, 2015, Mr. Griege met with Mr. Mason and his wife at-the-time to discuss the Company and to attempt to develop a stronger relationship.
- On July 28, 2015, we met with Mr. Mason at the KBW Community Bank Investor Conference and expressed concerns about the Company's commercial bank segment and how difficult it would be for it to achieve an efficiency ratio below 60% in less than two years given the pace of spending and hiring.
- On September 9, 2015, we met with Mr. Mason at the FIG Partners investment conference to discuss HomeStreet's operations, the competitive environment for originating loans, loan pricing and the Company's ability to hire talented loan officers.
- On January 5, 2016, Mr. Griege participated on a HomeStreet conference call that was organized by FIG Partners.
- On February 23, 2016, Mr. Griege met with Mr. Mason and Melba Bartels, HomeStreet's Chief Financial Officer at that time, and members of D.A. Davidson in our offices to discuss the Company's performance in 2015 and outlook for 2016.
- On March 19, 2016, Mr. Griege provided management with several ideas about how to improve the Company's financial disclosures to investors, particularly as it related to the Company's acquisitions.
- On May 10, 2016, one of our representatives met with Mr. Mason at the D.A. Davidson Bank Conference where our representative recommended not growing "for growth's sake", controlling costs, driving down the efficiency ratio and generating returns outside of the mortgage segment in an effort to garner a higher market multiple.
- On January 19, 2017, HomeStreet announced a settlement agreement with the SEC relating to errors in HomeStreet's accounting practices and the Company's attempts to impede the SEC's investigation into the matter. In connection with the settlement, HomeStreet paid the SEC a penalty of $500,000.
- On February 1, 2017, Mr. Griege met with Mr. Mason. During that meeting Mr. Griege expressed his disappointment about the Company's recent secondary offering, concerns about the Company's fourth quarter 2016 earnings results, and concerns about the Company's overall poor performance and missed opportunities. At that time, Mr. Griege offered to assist Mr. Mason and the Board of Directors in developing a plan to significantly improve the Company's performance and value.
- On February 2, 2017, Mr. Griege met with Mr. Mason and Melba Bartels, HomeStreet's Chief Financial Officer at that time, at the FIG Partners investment conference to discuss the Company's overall operations, the disappointing fourth quarter 2016 operating results, and how the Company might make operational adjustments to account for expected interest rate hikes in 2017.
- On February 13, 2017, Mr. Griege emailed Mr. Mason regarding several suggested strategic improvements, including slowing expense growth, shrinking the mortgage division and diversifying the commercial bank's loan portfolio.
- On November 9, 2017, Mr. Griege met with Mr. Mason at the Piper Jaffray West Coast investment conference and voiced his disappointment in the Company's poor performance, unrestrained spending and stated M&A objectives. Mr. Griege again offered assistance in developing a plan to significantly improve the Company's performance and value. After Mr. Mason rejected this offer, Mr. Griege disclosed that Blue Lion Capital was approaching 5% ownership and that the intent was to file a Schedule 13D when the 5% threshold was exceeded.
- On November 20, 2017, we filed a Schedule 13D with the SEC disclosing a 5.58% ownership position of 1,500,000 shares and sent a letter to Mr. Mason (with a request for the letter to be distributed to the entire Board of Directors) outlining numerous concerns we had regarding HomeStreet's business strategy, stock price performance, growth and diversification plans, and the growth of the Company's mortgage banking business. In the letter, we also noted that HomeStreet's stock had only appreciated 21% since January 1, 2013, while the KBW Small Cap Bank Index had appreciated 118% and the S&P Financial Index had appreciated 107% during the same period.
- On November 27, 2017, HomeStreet issued a letter to its shareholders disagreeing with Mr. Griege's conclusions about the Company, but nevertheless extended an invitation for Mr. Griege to present our thoughts for improving

shareholder value to the Board of Directors at the December board meeting.

- On November 29, 2017, we sent a letter to HomeStreet accepting its invitation to meet in person and, in a good-faith effort to promote a constructive discourse, we offered to share any presentation materials we intended to use at the meeting with the Board within seven days of the meeting. We filed the letter with the SEC in an amended Schedule 13D on December 1, 2017.
- On December 21, 2017, our representatives met with HomeStreet's Board of Directors and presented a 33-page presentation outlining several performance improvement opportunities. We felt the Board's reaction was very combative and argumentative based on the tone and tenor of the conversation, and the Board appeared unwilling or unable to be objective about new or differing points of view about the bank's performance. We filed the presentation with the SEC in an amended Schedule 13D on December 27, 2017.
- On January 8, 2018, Mr. Griege met with HomeStreet's Human Resources and Corporate Governance Committee at the Company's headquarters to discuss the possibility of Mr. Griege joining the Company's Board of Directors.

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- On January 11, 2018, HomeStreet issued a letter to its shareholders announcing that the Company's Human Resources and Corporate Governance Committee had voted to decline Mr. Griege's request to join the board.
- On January 17, 2018, we sent a letter to HomeStreet's Board of Directors responding to the Board's decision not to appoint Mr. Griege to the Board of Directors. In the letter we highlighted HomeStreet's poor record of Total Shareholder Returns (TSR), its share price valuation discount and the Company's underperforming operating performance relative to its peers. We also disclosed our intention to nominate director candidates for election to the Board at the Company's 2018 annual meeting of shareholders. We filed the letter with the SEC in an amended Schedule 13D on January 17, 2018.
- On January 22, 2018, HomeStreet reported fourth quarter 2017 earnings results which included the Company's mortgage segment generating a pre-tax loss for the fourth time in the past five quarters.
- On January 23, 2018, we issued a press release expressing our disappointment with HomeStreet's fourth quarter 2017 earnings results and suggested several questions for analysts and investors to ask on the Company's earnings call later that day. We were subsequently blocked by the Company from asking any questions during the Q&A portion of the Company's earnings call. We filed the press release with the SEC in an amended Schedule 13D on January 23, 2018.
- On January 25, 2018, HomeStreet announced the resignation of Director Tim Chrisman and the appointment of Mark Patterson to the Board of Directors as part of its "ongoing assessment of the Board's composition and refreshment goals." The Company also announced that the Company's Human Resources and Corporate Governance Committee had initiated a public search for an additional qualified candidate for the Board "who meets the stated diversity goals of the company."
- On January 29, 2018, HomeStreet issued its fourth quarter 2017 earnings presentation, which, among other things, referenced a credit quality peer group but did not disclose its constituents.
- On January 31, 2018, HomeStreet canceled a previously arranged in-person meeting with us at the FIG Partners investment conference in Scottsdale, Arizona, offering instead to have a conference call.
- On January 31, 2018, HomeStreet filed a current report on Form 8-K reporting that it had entered into new Employment Agreements with Mark Mason and William Endresen.
- On February 8, 2018, we had a conference call with HomeStreet regarding the fourth quarter. When asked about the composition of the previously reported peer group that HomeStreet used in its earnings presentation on January 29, 2018, HomeStreet indicated it would provide a list. The very next day HomeStreet declined to provide the list and told us that the list "constitutes non-public information."
- On February 14, 2018, HomeStreet amended its fourth quarter earnings presentation to include a list of the companies used in the Company's credit quality peer group.
- On February 26, 2018, we submitted to HomeStreet our notice of intent to nominate Ronald Tanemura and Paul Miller to the Board at the Company's 2018 annual meeting of shareholders. We also notified the Company of our intention to make two substantive corporate governance proposals to separate the role of Chairman and CEO and to remove the Company's classified board structure so that all directors are elected annually. We filed the letter with the SEC in an amended Schedule 13D on February 26, 2018.
- On February 26, 2018, HomeStreet issued a press release confirming the receipt of our notice of nominations and corporate governance proposals.
- On March 1, 2018, HomeStreet's legal counsel sent a letter to us stating that our nomination notice was invalid, claiming that we failed to satisfy the nomination requirements set forth in the Company's Amended and Restated Bylaws. HomeStreet subsequently issued a press release regarding the matter.
- On March 5, 2018, we issued a press release stating that there is no material information missing from our 133-page nomination notice and that the notice is wholly compliant with HomeStreet's Bylaws and includes every material piece of required information relating to us, our nominees and our governance proposals. We filed the press release with the SEC in an amended Schedule 13D on March 5, 2018.
- On March 6, 2018, HomeStreet issued a statement regarding our press release, reiterating its claims the nomination notice was incomplete.
- On March 8, 2018, our legal counsel sent a letter to HomeStreet's legal counsel reiterating our belief that our nomination notice was fully compliant with the Company's Bylaws, and reprimanding the Company for its intention to use control of the shareholder election apparatus for the self-interest of insiders and incumbents, in contravention of the obligations of the Board to the shareholders. We filed the letter with the SEC in an amended Schedule 13D on

March 8, 2018.

- On March 9, 2018, we sent a letter to HomeStreet clarifying our nomination notice. We filed the letter with the SEC in an amended Schedule 13D on March 12, 2018.
- On March 9, 2018, HomeStreet's counsel delivered a letter to our counsel in response to our March 8th and 9th letters reiterating that it believes our notice of intent failed to comply with the Bylaws, advising us that if we solicit proxies, HomeStreet will advise shareholders that its Chairman will declare our nominees and proposals shall be disregarded
- On March 13, 2018, we filed a complaint in the Superior Court of Washington in and for King County seeking an injunction validating our nomination notice. We filed the complaint with the SEC in an amended Schedule 13D on March 14, 2018.

- On March 14, 2018, we delivered a letter to the Company (the "Books and Records Demand") demanding inspection of certain books and records of the Company, including the Company's shareholder list. We attached both the complaint discussed above and this letter as exhibits to an amended Schedule 13D filed with the SEC on the same day.
- On March 21, 2018, the Company responded to the Books and Records Demand, agreeing to provide unidentified information pursuant to certain conditions, including our execution of a confidentiality agreement and our agreement not to use the shareholder information to solicit proxies for our director nominees or shareholder proposals if the Court affirmed the Company's position that our notice was invalid under the Bylaws.
- On March 22, 2018, we filed an additional motion with the Court seeking release of the shareholder information with no confidentiality requirements and no prohibition on our use of the shareholder information to solicit proxies for its director nominees or shareholder proposals even if the Court affirmed the Company's position that our notice was invalid under the Bylaws.
- On March 29, 2018, the Company responded to our March 22, 2018 motion.
- On March 30, 2018, at a hearing before the Court with respect to our motion for preliminary injunction, the Court ruled in favor of the Company.
- On April 2, 2018, the Company issued a press release announcing the Court's ruling in favor of the Company. A copy of the press release was filed by the Company with the SEC as an exhibit on a Current Report on Form 8-K the same day.
- On April 6, 2018, we voluntarily dismissed our complaint in the Superior Court of Washington.
- On April 11, 2018, we notified HomeStreet that we intended to solicit proxies "AGAINST" some of HomeStreet's nominees and one or more of the Company's proposals.
- On April 13, 2018, we filed a preliminary proxy statement with the SEC.

PROPOSAL 1

ELECTION OF DIRECTORS

Under the HomeStreet Articles of Incorporation and Bylaws, each as amended and restated to date, directors at HomeStreet are elected to three-year terms. Just three of the nine directors of HomeStreet are up for election this year (this is commonly referred to as a "staggered board").

We are soliciting shareholders to vote "AGAINST" the election of Scott M. Boggs and Douglas I. Smith, to send a strong message to the Board and to have Mr. Boggs and Mr. Smith replaced on the Board.

In January 2017, the Company was fined $500,000 by the SEC for improper accounting practices, violations of securities laws and for impeding the SEC's investigation by trying to identify the whistleblower who reported the issue. The SEC found that the Company made "unsupported adjustments" with "altered inputs" to ensure it could continue to use favorable accounting treatment that had the effect of dampening "income statement volatility". In a press release commenting on the matter, an SEC official admonished HomeStreet that "companies must follow the rules rather than create their own." (Press Release 2017-24 from the SEC, available at https://www.sec.gov/news/pressrelease/2017-24.html.)

More troubling, the SEC found that after HomeStreet was contacted by the SEC, the Company took steps to impede the SEC investigation. The Company, according to the SEC, sought to discourage former employees from speaking to the SEC and otherwise sought to identify the presumed whistleblower, prompting an SEC official to note "Companies that focus on finding a whistleblower rather than determining whether illegal conduct occurred are severely missing the point."

The SEC found that the Company violated three separate provisions of the Securities and Exchange Act. The SEC's order is available at: https://www.sec.gov/litigation/admin/2017/34-79844.pdf.

The Audit Committee is responsible for "oversee[ing] procedures for handling complaints regarding accounting" and for "reviewing 'whistleblower' complaints received and actions taken to resolve the complaints," according to HomeStreet's Audit Committee Charter. We believe shareholders should be concerned that Audit Committee members, who, in our view, were responsible both for ensuring that the Company's accounting practices were correct as well as ensuring that the Company properly cooperated with the SEC investigation, did not fulfill their responsibilities or serve shareholders' interests.

Both Mr. Boggs and Mr. Smith served on the Audit Committee at the time of the SEC investigation and during the earlier period in which the SEC found that the Company used improper accounting methods. In fact, both have served as members of the Audit Committee since before the Company's IPO in 2012, and Mr. Boggs has been Chairman of the Audit Committee since then. Mr. Boggs also serves as Lead Independent Director and has, in our view, a critical role in overseeing the Company's response to regulators and ensuring the Company complies with the law.

Prior to last year's meeting of shareholders, the Company released proxy solicitation materials that pled with shareholders not to be "unfair and scapegoat" the Audit Committee for the securities laws violations and SEC fine. The Company also referred to the $500,000 fine as "immaterial to the Company". This year, the Company has re-nominated Mr. Boggs and Mr. Smith to the Board for three-year terms, despite their leadership of, and participation on, the Audit Committee during the time of the accounting errors and interference with the SEC investigation.

The Company also continues to employ Darrell Van Amen as Treasurer. Mr. Van Amen is the person the SEC determined "caused HomeStreet's violation" of the securities laws. The SEC ordered him to pay a civil penalty of $20,000.

The Company's General Counsel at the time the Company impeded the SEC investigation, Godfrey Evans, also continues to serve in his role, including as Ethics Compliance Officer.

In short, HomeStreet, in our view, has not and does not want to hold anyone accountable for violating the securities laws or for impeding the SEC's investigation.

By contrast, we believe it is important for the Company to acknowledge the accounting mistakes and its improper conduct during the investigation into HomeStreet's accounting practices by removing Mr. Boggs and Mr. Smith as members of the Audit Committee and as directors. We do not believe they are "scapegoats". We believe the Chairman of the Audit Committee and Lead Independent Director, Scott Boggs, and Audit Committee member, Douglas Smith, should instead be held to account for the failures of the Audit Committee and Board, if not by the Board, then by shareholders.

We believe the lack of accountability is inexcusable.

We believe that replacing Mr. Boggs and Mr. Smith could have other positive effects on the Company and its stock. The HomeStreet Board lacks diversity, despite the Board's stated desire to diversify the Board's membership. With shareholders voting against Mr. Boggs and Mr. Smith, the Board would have the opportunity to fill two vacancies with diverse candidates.

Moreover, the Bank has underperformed during the tenure of Mr. Boggs and Mr. Smith. For the five years ending December 31, 2017, for example, the total return for HomeStreet's shareholders was 16%, significantly lower than the 131% return for the KBW Regional Banking Index. On metrics that we believe are key – such as price-to-tangible book, price-to-earnings, net interest margin and efficiency ratios – HomeStreet lags banks that we regard as peers, including Banner Corp., Columbia Banking System, CVB Financial Corp., Glacier Bancorp, Heritage Financial Corp., Pacific Premier Bancorp, TriCo Banshares and Westamerica Bancorporation.

We believe there also may be opportunities for HomeStreet to create more value for shareholders. New Board members could assist in the evaluation of these alternatives, which include (1) monetizing the single family mortgage serving rights and using the proceeds to repurchase stock; (2) restructuring the mortgage origination business by reducing loan originations and targeting an improved efficiency ratio; (3) restructuring the commercial banking business by reducing expenses; (4) realigning executive compensation programs to de-emphasize production volume and focus on profitability; and (5) instituting better corporate governance, including eliminating the staggered Board and separating the Chairman and CEO roles.

We believe when public companies fail to comply with accounting rules and impede law enforcement investigations, shareholders should expect someone to be held accountable. For all of these reasons, we therefore believe shareholders should vote "AGAINST" the election of Mr. Boggs and Mr. Smith. We are asking shareholders to send a strong message to the Board that the Company's consistently poor stock and operating performance, improper accounting procedures and interference with government investigations are simply unacceptable.

The Company's Bylaws provide that, in any election of directors that is not a "contested election", such as this one, the director candidates elected are those receiving a majority of the votes cast. Therefore, to be elected, the number of votes cast "FOR" a director nominee must exceed the number of votes cast "AGAINST" that nominee.

IT'S IMPORTANT FOR YOU TO KNOW that a "WITHHOLD" vote cast on the Company's proxy card does not have the same effect as casting an "AGAINST" vote. Shareholders wishing to express their disappointment with longstanding and ineffective board members, Scott Boggs and Douglas Smith, must be sure to vote "AGAINST" these two nominees.

The term of any director nominee who is a director at the time of election and who does not receive a majority of votes cast in the election terminates on the earliest to occur of: (1) 90 days after the date on which the voting results of the election are determined; (2) the date the director's resignation is accepted by the Board; or (3) the date the Board fills the position. If we are successful in obtaining a majority vote of the Company's shareholders "AGAINST" any of the HomeStreet Nominees, it is unclear what actions the Board may take.

As the Company stated in its proxy statement, the following will not be votes cast and will have no effect on the election of any director nominee: (1) a share whose ballot is marked as withheld; (2) a share otherwise present at the meeting but for which there is an abstention; and (3) a share otherwise present at the meeting as to which a shareholder gives no authority or direction (other than a share voted pursuant to a signed proxy card on which the shareholder has not indicated any voting direction). So, as noted above, shareholders wishing to express their disappointment with longstanding and ineffective board members, Scott Boggs and Douglas Smith, must be sure to vote "AGAINST" these two nominees. Shareholders may not cumulate their votes in the election of directors.

Please note that the HomeStreet Nominees are not our nominees, have not consented to be named in these proxy materials, and are the nominees of HomeStreet. Because the HomeStreet Nominees are not our nominees and have not consented to be named in this Proxy Statement, they are not participants in this solicitation. We can provide no assurance that any of the HomeStreet Nominees will serve as directors if elected. You should refer to the Company's proxy statement and form of proxy distributed by the Company for the names, backgrounds, qualifications, and other information regarding the HomeStreet Nominees.

WE URGE YOU TO VOTE "AGAINST" SCOTT M. BOGGS AND DOUGLAS I. SMITH USING THE ENCLOSED BLUE PROXY CARD. IN THE ABSENCE OF SPECIFIC INSTRUCTIONS, WE WILL VOTE "AGAINST" SCOTT M. BOGGS AND DOUGLAS I. SMITH AND "FOR" THE OTHER HOMESTREET NOMINEE.

PROPOSAL 2

ADVISORY (NON-BINDING) VOTE ON EXECUTIVE COMPENSATION

As described in detail in HomeStreet's proxy statement, HomeStreet is asking shareholders to indicate their support for executive officer compensation. This proposal, commonly known as a "say-on-pay" proposal, gives shareholders the opportunity to express their views on the compensation of HomeStreet's named executive officers. So, shareholders may endorse or not endorse HomeStreet's executive pay program through the following non-binding resolution:

"RESOLVED, that the compensation paid to the named executive officers, as described in the Compensation Discussion and Analysis, the compensation tables and related materials included in the proxy statement, is hereby approved."

We are soliciting shareholders to vote "AGAINST" this Proposal because we do not believe the Company's compensation practices are in the best interest of the Company and its shareholders. We believe the Board of Directors and the Human Resources and Corporate Governance Committee have structured management's compensation in a way that incentivizes revenue growth over profitability and shareholder value. When considering how to vote on this Proposal, we ask you to consider the following points, which highlight a pay for performance disconnect:

- In 2017, the Company's CEO, Mark Mason, received compensation of $1,891,958. His compensation increased nearly 14% above the compensation he received in 2016. Yet, during 2017, HomeStreet's stock was down 8% and earnings before income tax declined more than 27% from 2016.
- Since 2014, Mr. Mason's salary has increased by 38%. During that period, HomeStreet's stock has underperformed its peer group and the Company was fined by the SEC for violating securities laws for improper accounting procedures and attempting to impede an SEC investigation.
- Mr. Mason's bonus performance thresholds have been lowered in each of the past four years.
- According to the Company's 2018 proxy statement, the Company's Performance Goals, Metrics and Results exclude any expenses associated with expansion in new markets and merger and acquisition expenses, which we believe is an inappropriate measure for performance-based incentive compensation.

Because the vote on this Proposal is advisory, it will not be binding upon the Board. However, HomeStreet has indicated that the Human Resources and Corporate Governance Committee will take into account the outcome of the vote when considering future executive compensation arrangements.

The proposal on the advisory (non-binding) vote to approve named executive officer compensation requires the affirmative vote "FOR" of a majority of the shares present and voting on this matter.

WE URGE YOU TO VOTE "AGAINST" THE SAY-ON-PAY PROPOSAL. IN THE ABSENCE OF SPECIFIC INSTRUCTIONS, WE WILL VOTE "AGAINST" WITH RESPECT TO THIS PROPOSAL.

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PROPOSAL 3

ADVISORY (NON-BINDING) VOTE ON FREQUENCY OF FUTURE ADVISORY (NON-BINDING) SHAREHOLDER VOTES ON EXECUTIVE COMPENSATION

As described in detail in HomeStreet's proxy statement, HomeStreet is providing shareholders the opportunity to vote, on a non-binding basis, to advise the Board on how frequently HomeStreet should hold an advisory vote on the compensation of its named executive officers. By voting on this Proposal 3, shareholders may indicate whether they would prefer an advisory vote on named executive officer compensation once every one, two or three years.

The Board has recommended that shareholders support an annual vote on compensation, and we agree with this recommendation.

Because this vote is advisory, it will not be binding upon the Board. However, HomeStreet has indicated that the Human Resources and Corporate Governance Committee will take into account the outcome of the vote in determining the frequency in which a shareholder vote on executive compensation will be held.

The frequency of the vote on executive compensation will be based upon which option receives the greatest number of votes. Shareholders will have the opportunity to vote for the options of "ONE YEAR", "TWO YEARS", "THREE YEARS" or "ABSTAIN".

WE RECOMMEND A VOTE FOR "ONE YEAR". IN THE ABSENCE OF SPECIFIC INSTRUCTIONS, WE WILL VOTE "ONE YEAR" WITH RESPECT TO THIS PROPOSAL.

PROPOSAL 4

ADVISORY (NON-BINDING) RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

In the HomeStreet proxy statement, the Company is asking shareholders to ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the Company's 2018 fiscal year.

According to the USG Proxy Statement, if the appointment of Deloitte & Touche LLP is not ratified, the Audit Committee of the Board will reconsider whether it is appropriate to retain another independent registered public accountant.

WE RECOMMEND A VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM. IN THE ABSENCE OF SPECIFIC INSTRUCTIONS, WE WILL VOTE "FOR" WITH RESPECT TO THIS PROPOSAL.

WHO CAN VOTE AT THE ANNUAL MEETING

Only shareholders of record of HomeStreet common stock at the close of business on [•], 2018, the Record Date, are entitled to notice and to vote at the Annual Meeting.

HOW TO VOTE BY PROXY

Your vote is important, no matter how many or how few shares you own. BLC urges you to sign, date and return the enclosed BLUE proxy card today.

- If your shares are registered in your own name, please sign and date the enclosed BLUE proxy card and return it today in the enclosed postage-paid envelope.
- If your shares are held in a brokerage account or by a bank or other holder of record, you are considered the beneficial owner of the shares held in "street name," and these proxy materials, together with a BLUE voting form, are being forwarded to you by your broker, bank or other holder of record. As a beneficial owner, you must instruct your broker, trustee or other representative how to vote. Your broker cannot vote your shares on your behalf without your instructions. Depending upon your broker, bank or other holder of record, you may be able to vote either by telephone or by the Internet. You may also vote by signing, dating and returning the enclosed voting form.

Whether you plan to attend the Annual Meeting or not, we urge you to vote your shares now. Please contact our proxy solicitor Alliance Advisors LLC at (833) 786-5516 if you require assistance in voting your shares. This Proxy Statement and the accompanying BLUE proxy card are available at www.[•].

Properly executed proxies will be voted in accordance with the directions indicated thereon. If you sign the BLUE proxy card but do not make any specific choices, your proxy will vote your shares as follows:

1. AGAINST the election of Scott M. Boggs and Douglas I. Smith to the board of directors and FOR the election of the other candidate nominated by HomeStreet.
2. AGAINST the approval on an advisory (non-binding) basis the compensation of the Company's named executive officers.
3. FOR ONE YEAR with regard to the approval on an advisory (non-binding) basis of the frequency of future advisory (non-binding) shareholder votes on executive compensation.
4. FOR the ratification on an advisory (non-binding) basis the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the year ending December 31, 2018.

You should refer to the Company's proxy statement and form of proxy distributed by the Company for the names, backgrounds, qualifications and other information concerning the HomeStreet Nominees.

Rule 14a-4(c)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), governs our use of discretionary proxy voting authority with respect to a matter that is not known by us a reasonable time before our solicitation of proxies. It provides that if we do not know, a reasonable time before making our solicitation, that a matter is to be presented at the meeting, then we are allowed to use our discretionary voting authority when the proposal is raised at the meeting, without providing any discussion of the matter in this Proxy Statement. If any other matters are presented at the Annual Meeting for which we may exercise discretionary voting, your proxy will be voted in accordance with the best judgment of the persons named as proxies on the attached proxy card. At the time this Proxy Statement was mailed, we knew of no matters which needed to be acted on at the Annual Meeting, other than those discussed in this Proxy Statement.

If any of your shares are held in the name of a brokerage firm, bank, bank nominee or other institution on the record date, only that entity can vote your shares and only upon its receipt of your specific instructions